STUDY ON COMPETITIVENESS AND CORRUPTION IN ROMANIA. DEPENDENCES AND INTERDEPENDENCES AT MACRO AND MICRO LEVEL

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***Abstract**:*

Competitiveness represents the long term objective of any particular entity – country or firm; that's why all the strategies – no mater the level – aim to obtain and maintain competitiveness. But, if we look closer to the world competitiveness ranking, we can see an important impediment of Romania's competitiveness (at macro and micro economic level as well): generalized corruption. There are some well proven (through theoretical and methodological studies) dependencies and interdependencies between competitiveness and corruption – at national and firm level as well – which we would like to emphasize by this paper for a better understanding of the context and in order to extract some lessons for the future.

***Keywords**: national and firm competitiveness; global competitiveness index; private and public corruption; corporate corruption/ethics indices; corruption perception index*

***JEL Classification**:* K4, L2, N4, O1

Considering on the one hand, ***the goal*** that the ***European Union*** has established for itself – ***to be the most dynamic competitive knowledge driven economy of the world*** by 2010 – and the goal that ***Romania*** has establish for itself – to ***join the European Union*** at January 1, 2007 on the other hand, we have to evaluate if the adhesion of Romania to the EU may contribute – or not – to the EU's objective – in order to make Romania be able to deal with the big challenges it is – and will be – confronted with.

So, first of all we have to see how much is Romania prepared to become a part of the "most competitive knowledge driven economy", able to compete with the other giants of the global economy and with its EU partners as well. The next step is to identify the weaknesses of the Romanian economy in order to find the appropriate solutions to diminish or annihilate them.

The ***hypothesis*** of this research is ***that the lack of competitiveness which characterizes the Romanian economy has a lot to do with the high level of corruption*** that it is confronted with. So, there are two basic assumptions of the study, which we will try to confirm by this work:

(1) the lack of competitiveness affects the macro-economic level (in any and all of the parts of the Romania's public system chain) and the micro-economic level as well (firms);

(2) corruption is a generalized practice/habit, perceived – inside and outside the country as well – to be so, which takes more and more discreet and sophisticated forms – as "private to public" corruption and "private to private" corruption.

The main idea of the paper is that in Romania there are a lot of insufficient explored and well manageable (in the sense of prevention and / or sanction) dependencies and interdependencies between (national and firm) competitiveness and (public and private) corruption.

Romania's competitiveness – causes and effects

a. Some insights on the concept of national competitiveness and its measuring methodology

Even if (or just because of it) competitiveness is not only a "dangerous obsession" (as Paul Krugman claimed it more than a decade ago – see Krugman, P., 1994) the concept gets from any author/scholar or authority/organism who uses it a different definition. The concept is full of meanings so, every time someone operates with it a new definition occurs. Obviously, there are some recognized "gurus" in this field of research which set the mainstream regarding the concept. One of the well recognized authorities is ***The World Economic Forum (WEF)*** which measures national competitiveness and ranks countries by this indicator on a yearly basis. The ***Global Competitiveness Report*** of the World Economic Forum represents the most comprehensive study of the international competitiveness of individual countries (see Fendel, R., Frenkel, M., 2005).

As Augusto Lopez-Carlos (the president of the WEF) emphasized it, "we understand ***national competitiveness*** as a set of factors, policies, and institutions which determine the level of ***productivity of a country***. Raising productivity – making *better use of available factors and resources* – is the driving force behind the rates of return on investment which, in turn, determine the aggregate growth rates of an economy. Thus, ***a more competitive economy*** will be one which ***will likely grow faster in the medium and long term***" (see Lopez-Carlos, A, 2006).

But the concept of competitiveness is a dynamic one, and the WEF tried on time to keep up with the evolutions from the "real world". So, until this year it uses two indicators to measure one country's competitiveness: ***The Growth Competitiveness Index*** (GCI) – it was of a macroeconomic nature and aimed at capturing all those factors that contribute to the future productivity growth in an economy as measured by the change in per capita income; it was based on three sub-indices, one with respect to the level of technology within the economy, one with respect to the quality of public institutions, and one with respect to the macroeconomic environment – and ***The Business Competitiveness Index*** (BCI) – it ranked countries by their microeconomic competitiveness, identified competitive strengths and weaknesses in terms of countries' business conditions and company operations and strategies, and provided an assessment of the sustainability of countries' current levels of prosperity.

Starting with this year, WEF moves to ***The Global Competitiveness Index*** as the main competitiveness indicator to be used. The new index responds to the more advances in economic research and the rising importance of the international dimension, as well as the increasing diversity of countries covered by the report. With the formulation of a newly designed index, the Global Economic Forum takes into account that the nature of international competitiveness is subject to continuous changes. The fast development of information and communication technology and the associated decline in communication costs have led to a sharp increase in the speed of economic integration in the world. Firms are increasingly forced to base their decisions and strategies on a global perspective. This applies both to the marketing and the sourcing activities of firms. The growing number and importance of multinational enterprises mirrors these developments. Against this background, many economies feel forced to respond creatively to these challenges.

The index is based on three main principles of, or views about, the nature of competitiveness (see Fendel, R., Frenkel, M., 2005): **I**: The first view asserts that the determinants of competitiveness are very heterogeneous. Therefore, twelve different "***pillars of competitiveness***" are identified. These are: (**1**) institutions; (**2**) physical infrastructure; (**3**) macro stability; (**4**) security; (**5**) human capital; (**6**) goods markets efficiency; (**7**) labour market efficiency; (**8**) financial market efficiency; (**9**) technological readiness; (**10**) openness and market size; (**11**) business sophistication; (**12**) innovation. By changing the methodology – to give more weight to human capital and social factors that weight on business, the GCI reflects the global economy's evolution since the index was first conceived in 2001. Its three broad criteria – macro economy, institutions and technological readiness – have been expanded to nine broad measures that score a country for the quality of its institutions, infrastructure, macro economy, health and primary education, higher education and training, market efficiency, technological business sophistication and innovation (see Maidment, P., 2006). **II.** The second principle or view is that ***economic advancement develops in steps***. This view is related to the work of the historian W. W. Rostow in the 1960s. On this basis, economies are categorized according to different stages of development. ***Depending on the development stage, the "twelve pillars" receive different weights. Three different stages are distinguished****:* (1) factor-driven; (2) efficiency-driven; (3) innovation-driven. This structure is similar to the traditional distinction of economies in developing economies, emerging markets and industrial economies. At the most basic level of economic development, competitive advantage is determined by resources – such as low-cost labor and access to natural resources. One level up is the investment-driven stage, where countries begin to develop competitive advantage by improving their efficiencies and developing increasingly sophisticated products; improvements are made to imported technologies, and there is extensive joint venturing and heavy investment in trade-related infrastructure. At the final stage in the competitiveness process, the country's competitive advantage lies in its ability to innovate and to produce products and services at the frontier of global technology (see Kirchbach, 2003). **III**. The third principle or view is associated with ***how economies move from one stage of development to the next***. These movements do not take the form of abrupt jumps, but rather exhibit more gradual transitions. This is reflected in the calculation of the new index by gradually adjusting the weights, as economies get to the next development stage.

Because nations do not compete with products and services alone, bur also with education and value systems, ***as countries develop, values tend to evolve***; they go through four distinct ***phases*** (see Garelli, 2006): ***hard work*** – people are totally dedicated to the country's corporate objectives and work many hours (ex. Korea); ***wealth*** – although people still work hard, they pay more attention to increasing their own incomes (ex. Singapore); ***social participation*** – people are less interested in hard work, and are more involved in shaping their society (ex. USA and EU in the late 1960s); ***self-achievement*** – people are more interested in developing their private lives, rather than pursuing societal change (ex. USA and EU today).

b. Romania's features regarding competitiveness

If we look at the ***Global Competitiveness Index 2006/2007*** (for EU 25 countries, Romania, Bulgaria and Turkey) we can see that Romania – ***ranking 68***, one position worst than the last year – does not stay well into the world top of competitiveness; it even doesn't find itself into the first half of the hierarchy. Its ranks (from ***125 countries***) regarding all the indicators defining the global competitiveness index are as in Table 1.:

Table 1. Global Competitiveness Ranking in EU 25 and the candidate countries

Country	2006 GCI Rank	Institu-tions	Infra-structure	Macro-economy	Health and primary education	Effi-ciency enhancers	Higher education and training	Market efficiency	Techno-logical readiness	Business sophisti-cation	Innova-tion
Finland	2	1	10	12	7	4	1	17	12	11	4
Sweden	3	12	9	15	9	2	3	19	1	5	6
Denmark	4	2	5	14	4	6	2	6	10	9	10
Germany	8	7	1	63	71	17	18	20	20	1	5
Netherlands	9	9	8	22	13	9	8	12	11	7	11
United Kingdom	10	15	14	48	14	7	11	3	6	6	12
Austria	17	13	17	36	49	20	19	26	21	4	17
France	18	24	4	56	12	22	12	28	25	10	14
Belgium	20	26	11	44	15	23	4	32	27	12	16
Ireland	21	17	31	20	24	18	16	13	24	16	20
Luxembourg	22	14	15	19	46	24	45	18	9	21	23
Estonia	25	30	30	16	43	19	23	25	16	35	30
Spain	28	39	22	24	5	28	31	36	33	27	35
Czech Republic	29	60	33	42	58	27	27	41	26	29	28
Slovenia	33	43	32	29	19	30	26	63	29	36	34
Portugal	34	28	26	80	16	37	37	38	37	43	32
Latvia	36	50	39	34	79	36	28	40	43	54	66
Slovak Republic	37	53	47	68	74	34	38	34	30	45	42
Malta	39	31	37	76	32	33	47	46	22	51	62
Lithuania	40	59	44	41	70	38	29	45	42	41	50
Hungary	41	46	48	98	66	32	30	37	36	49	31

Italy	42	71	50	84	8	40	35	78	32	24	43
Cyprus	46	35	34	72	22	44	41	55	38	50	55
Greece	47	41	29	102	11	47	34	62	50	46	47
Poland	48	73	57	70	26	48	33	64	51	63	44
Turkey	59	51	63	111	78	54	57	47	52	39	51
Romania	68	87	77	97	69	55	50	76	49	73	68
Bulgaria	72	109	65	35	39	70	62	90	68	84	87

Source: Global Competitive Index 2006/2007, World Economic Forum

Because competitiveness finds its ultimate expression in the prosperity that countries can sustain over time and, at its turn, prosperity is sustainable if it is based on the productive companies can reach given the conditions they face in an economy, we have to look also at the ***business competitiveness index*** (BCI). While most discussion on competitiveness remains focused on the macroeconomic, political, legal and social circumstances that underpin a successful economy, progress in these areas is necessary but not sufficient. Reflecting this view, BCI ranks countries by their microeconomic competitiveness, identifies competitive strengths and weaknesses in terms of country's business environment conditions and company operations and strategies, and provides an assessment of the sustainability of countries' current level of prosperity. BCI explains more than 80% of the variation of GDP per capita across the wide sample of countries covered (a confirmation of the critical importance of microeconomic factors for prosperity). So, if we look from the business competitiveness index point of view, we will find Romania on the **74th** position – from 121 countries, which is again bad enough – placed on the **73rd** position at the ***quality of the national business environment*** ranking and on the **73rd** position as well at the ***company operations and strategy ranking*** (see Lopez-Carlos, A., 2006).

In order to ***identify the factors which have the most significant impact on Romania's*** (lack of) ***competitiveness***, we have to divide our analysis into two major domains:

- first of all, we have to see which are ***the factors that really influence Romania's competitiveness at international arena*** – are they known and valorized in order to raise Romania's competitiveness or we still have to do in this area with taboos and some old and obsolete assumptions?
- secondly, we have to determine ***the Romania's industries*** (domains) ***which have the greatest competitiveness potential*** – by analyzing the kind of economy characterizing Romania (resource-driven, investment-driven or innovation-driven) – do we really develop / upgrading, or we are still a resource driven economy?

If we only look at the world top of competitiveness we realize that Romania occupies a position which is not at all honorable. But, more than that, the results seem to be "surprising" for what we were used to hear (see Bălan, I., 2006): even if for years now everybody explained our lack in productivity and competitiveness to be caused by the old/obsolete technology we have and still use, we discover now that Romania is placed on the 49 position (the best among all the other competitiveness subindicators); but, regarding the market efficiency – which is a reflection of the market deepness we are placed only on the 76th position.

The infrastructure places us on the 77th position, but regarding the institutions – with all that this indicator brings with it (corruption, respect of law and regulations, favoritism in public decisions) – we fall on the 87th position. All of our neighbours are placed on "top 50" regarding "technological readiness" (macroeconomic problems place Romania on the 97th position of the hierarchy – from 125 countries. So, which is the cause of this bad position of Romania comparative to its neighbors? Most Estonia – 16, Check Republic – 26, Slovenia – 29, etc.), but nowhere the chapter "corruption" is placed so badly (Estonia – 30, Slovenia – 43, Hungary – 46, etc.). An important issue at this point is that Romania did not identified for itself and promoted something it is good on. We still don't know what we can do best – if we can do something best. Our competitive advantage(s) is(are) not identified and integrated into a coherent strategy (at least an image one, capable to speak well about Romania).

Extending and going deeper with the analyze – in order to identify Romania's characteristic competitive advantage and model of competing, unfortunately, we have to agree that "in Romania, most of the domestic firms produce goods or services designed in other, more-advanced countries. Technology is assimilated through imports, foreign direct investments and imitation. Firms have limited roles in the value chain, focusing on assembly, labor intensive manufacturing, and resource extraction. However, there is also a part of the economy, which may be considered investment-driven. The last couple of years have brought new investment in efficient infrastructure and policy measures aimed at creating a business-friendly administration. The products and services become more sophisticated. Technology is assessed through licensing, joint ventures, ISD and imitation. At the same time, embryos of an innovation-driven economy have developed, especially in the Information and Communication Technology sector, which has a high competitive potential" (see Dăianu, D., 2005).

Into the IDM World Competitiveness Yearbook 2006, Stephane Garelli captured two very different definitions for the concept of competitiveness (see Garelli, S., ***Competitiveness of Nations: The Fundamentals***, in *IMD World Competitiveness Yearbook 2006*). On the one hand, from a condensed – and incomplete point of view, he says that ***competitiveness*** analyses how ***nations*** and ***enterprises*** manage the totality of their competencies to achieve prosperity or profit; on the other hand, from an academic – and much more exhaustive point of view, he defines the ***competitiveness of nations*** to be a field of economic theory, which analyses the facts and policies that shape the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people. Fundamentally, ***what differentiates competitiveness of nations and competitiveness of enterprises is where the creation of economic value takes place in society***.

The author's assumption is that economic value is only created by enterprises; nations can establish an environment that hinders or supports the activities of enterprises but however, a nation does not directly generate economic added value.

But, there is no single "recipe" for competitiveness. Various policies can be benchmarked, and then each individual country needs to adapt them to their own environment. Competitiveness strategies succeed when they balance the economic imperatives imposed by world markets with the social requirements of a nation formed by history, value systems.

At the end of his paper, Garelli proposes ten ***golden rules that countries must do in order to become or stay competitive***: (1) create a stable and predictable legislative environment; (2) work on a flexible and resilient economic structure; (3) invest in traditional and technological infrastructure; (4) promote private savings and domestic investment; (5) develop aggressiveness on the international markets as well as attractiveness for foreign direct investments; (6) focus on quality, speed and transparency in government and administration; (7) maintain a relationship between wage levels, productivity and taxation; (8) preserve the social fabric by reducing wage disparity and strengthening the middle class; (9) invest heavily in education, especially at the secondary level, and in the life-long training of the labor force; (10) balance the economies of proximity and globality to ensure substantial wealth creation, while preserving the value systems that citizens desire.

Romania's corruption – between perceptions and realities

a. Some insights about corruption

Recent studies revealed a high relation between one country's competitiveness and its perceived level of corruption. Sometime corruption is seemed to be the biggest obstacle in the way of the business, with the highest contribution to a country's growth competitiveness index. Concept which is used recently really frequent, ***corruption*** doesn't know a single and unanimously recognized theoretical approach: generally speaking, it represents the ***swerve from moral norms***; more precisely, it reflects an ***inappropriate / illegal behavior*** of someone who occupies a position of authority or power; into the management literature, the term corruption is used to define the inappropriate use of an authority position in order to obtain personal gain – in form of money or any other form. Corruption may be ***motivated*** by greed, willingness to preserve or enrich power or by the belief into a supposing better life. Even if most of the time the term is associated with the abuse of political power, the concept of corruption describes a behavioral pattern which can be found in any sector.

The ***acts and facts of corruption*** take many forms, such as: bribe, nepotism, extortion, peculation, using for personal benefit of resources which doesn't belong to someone, work place harassment. Form the ***law point of view***, the acts of corruption may be divided into: **(a)** acts which constitute criminal facts and are punished like it – "great bribery", peculation, extortion, swindling; **(b)** acts which are not criminal facts, being exclusively jugged according to the ethical norms – nepotism, "little bribery", different forms of *captatio benevolentiae* in public or private sector; **(c)** acts which are punished as criminal facts in some countries, and as moral ones in the others – work place harassment and sexual harassment, inside felony (see Popa, I., Filip, R., 1999).

Trying to capture the whole phenomena of corruption, it was given the following definition: ***corruption (C)*** equals monopoly of power (***M***) plus discretionary power of the officials (***P***) minus assumed responsibility sense (***R***): **C = M + P – R** (see

Klitgaard, R., MacLean-Abaroa, R., Parris, L.H., 2006). If someone has discretionary / monopoly power over a good or service and, thanks to his position he may decide if any part of that good or service could be given to one person, and if there are no assumed responsibility sense at all / so that any other people be able to see which decision has been taken, it will probably be corruption too. The “formula” is equally correct for public or private sector, in a rich or poor country as well. So, a ***strategy against corruption*** should not begin or finish with big and public manifestations on ethics or with the need to generate new attitudes. On the contrary, it will be necessary to be “cold blooded” examined the ways to reduce the monopoly of power and to raise the transparency, taking account as well of the direct and indirect costs of these measures.

Even if the ***costs of corruption are*** difficult to measure, some studies indicate among them: **(1)** a 3-10% rising of the transactional costs in order to accelerate the supplying of a specific governmental service; **(2)** higher prices for some goods – up with 15-20% because of the state imposed monopolies; **(3)** an up till 50% loss of the taxes imposed by the state – because of the abuses and corruption; **(4)** excessive costs for some goods and services because of the over price of the acquisition contracts or because of the acquisition of some useless expensive goods – for which the state pays with 20-100% more than necessary (see Stapenhurst, R., Kpundeh, J., 2003).

Because ***corruption*** is by definition an illegal activity, it can not be ***measured directly***; that is the reason why it were developed during the time a lot of indirect measuring models (see Kaufmann, D., Kraay, A., Mastruzzi, M., 2005). Each one of these different models has its limits because, for example, the *frequency of corruption mentioning in media* will reflect not only the spread of corruption, but also the freedom and objectivity of the media; similarly, *the number of accusations or the rate of convictions* will not reflect only the competency or the independency of the judicial and police system, but the power of the civil society and media as well; on the other hand, into a “normal” country the society is interested only in big corruption cases and the others are punished “in silent”.

Generally speaking: (1) ***corruption tends to fall*** if the given society is characterized by: separation of powers, equilibrium and permanent watch, transparency, a good judicial system, well defined rules and limits; (2) ***corruption tends not to proliferate*** in the societies where there are: democratic culture, competition, a good controlling system and where people have the right to inform themselves and the right to bring improvements to the system rules.

b. The realities of corruption in Romania

By looking closer to one of the dimensions of the global competitiveness index – ***corporate corruption/ethics indices*** (available only from the Global Competitiveness Report 2004/2005 – see Kaufmann, 2005 and Table 2. – but the differences couldn’t be significant as the other statistics revealed us) we shall see that Romania is placed (from a total of 104 countries taken into consideration) as follows: the **64th** position regarding ***corporate governance*** – index which refers to the protection of minority shareholders, quality of training, willingness to delegate authority, nepotism and corporate governance; the **73rd** position regarding ***judicial / legal effectiveness*** – index which refers to the judicial independence, judicial bribery, quality of legal framework, property protection, parliament and police effectiveness; the ***82nd*** position regarding ***corporate legal corruption component*** – index which refers to the influencing legal political funding and undue political influence; the ***93rd*** position regarding ***corporate ethics*** – composite index which refers both to corporate legal corruption component and corporate illegal corruption component as well: corporate ethics, illegal political funding, state capture cost, average of frequency of bribery in procurement and active capture, corruption in banking (average of formal money laundering and bribery for loans); that is not available the rank regarding ***public sector ethics*** – index which refers to the on honesty of politicians, government favoritism in procurement, diversion of public funds, trust in postal office and average bribe frequencies for permits, utilities and taxes.

Table 2. Corporate Corruption/Ethics Indices EU 25 and the candidate countries

Corporate Corruption/Ethics Indices: Country Averages (Theoretical range of indices 0-100%)	Corporate Illegal Corruption Index Component	Corporate Legal Corruption Index Component	Corporate Ethics Index (1+2)	Public Sector Ethics Index	Judicial / Legal Effectiveness	Corporate Governance Index
Country list	**(CICI)**	**(CLCC)**	**(CEI)**	**(PSEI)**	**(JLEI)**	**(CGI)**
Austria	82,3	57,2	69,7	67,8	83,9	78,4
Belgium	75,9	54,1	65,0	64,1	68,9	85,9
Bulgaria	38,6	18,4	28,5	25,2	22,4	20,5
Cyprus	55,1	36,7	45,9	54,8	63,4	31,5
Czech Republic	32,1	30,9	31,5	35,4	37,4	42,8
Denmark	97,1	74,7	85,9	93,6	95,3	94,8
Estonia	72,7	40,9	56,8	57,9	75,2	61,2
Finland	96,9	72,6	84,8	93,8	92,1	95,4
France	79,6	39,9	59,7	61,4	76,4	73,7
Germany	85,0	62,4	73,7	74,3	85,5	90,8
Greece	47,0	26,1	36,5	39,8	55,6	44,6
Hungary	42,8	22,5	32,6	40,7	47,1	46,7
Ireland	77,9	42,6	60,3	64,1	77,7	80,4
Italy	47,3	34,4	40,9	33,9	40,7	32,6
Latvia	36,9	20,7	28,8	32,3	33,6	43,1
Lithuania	46,0	16,3	31,2	35,1	32,6	45,0
Luxembourg	81,2	57,2	69,2	83,6	89,5	68,4
Malta	63,4	38,4	50,9	46,3	66,8	39,7
Netherlands	91,1	79,2	85,2	84,3	87,4	88,5
Poland	25,3	14,4	19,8	19,1	18,3	26,4
Portugal	68,2	42,0	55,1	60,4	65,0	49,5
Romania	21,0	19,5	20,2	28,4	29,7	39,5

Slovak Republic	38,2	17,9	28,0	38,0	34,9	56,4
Slovenia	55,0	27,3	41,2	49,3	51,1	46,2
Spain	62,2	39,7	51,0	59,4	53,0	52,4
Sweden	93,9	60,0	77,0	84,0	93,2	92,6
Turkey	31,5	19,5	25,5	27,5	37,2	36,4
United Kingdom	93,2	67,4	80,3	79,7	92,1	87,9

Source: The Global Competitiveness Report 2004/2005, WEF

Transparency International Corruption Perception Index (CPI) is probably the most well known and quoted corruption measurement in the world, which has been published annually since 1995. CPI is not an empirical study of its own but rather a compilation of data from a number of primary sources, which include assessment by experts and business leaders. It reflects the perception of the business people and of the country annalists, residents and non residents, as well (see ***Corruption Perception Index*** 2005, Transparency International, http://www.transparency.org). It is based on the results of 16 different surveys, made by 10 independent institutions. In order for a country to be captured into the index, it has to appear in at least 3 surveys (that is the reason why some countries – which could be found through the most corrupted ones – do not appear into the CPI – because there is not enough information about them).

The CPI is ranking the countries on the basis of the way that the existence of corruption between officials and politicians is perceived by business people and annalists from all over the world. In short CPI aggregates the perceptions of well-informed people with regard to the extent of ***corruption***, ***defined as the misuse of public power for private benefit***. The strength of the CPI lies in the combination of multiple data sources in a single index, which increases the reliability of each individual score. The benefit of combining data in this manner is that erratic findings from one source can be balanced by the inclusion of at least two other sources, lowering the probability of misrepresenting a country's level of corruption. The high correlation of the different sources used in the CPI indicates its overall reliability.

CPI 2005 covered 158 countries; each country is assigned a score from 0 to 10 where the former indicates the highest possible perceived level of corruption and the latter indicates the lowest possible perceived level of corruption. In CPI 2005 Iceland ranked highest with 9,7 and Bangladesh and Chad lowest with 1,7. ***Romania*** ranks 85th out of 159 countries in 2005 Corruption Perceptions Index, with a 3,0 score, which places it into the area of 72 ***countries with generalized corruption*** (table 3.)

The average of the "old" European Union members (EU 15) for 2005 is 7,73, while the average of the "new" EU members (EU 10) is 5,04, and the EU average (EU 25) is 6,66. in the same time, we have to emphasize that, comparing with another countries in the region in our "situation", the Romania's ranking is lower than Bulgaria's (which obtained a 4,0 score) and Turkey's (which obtained a 3,5 score). The score that Romania obtained in 2005 was similar to the annual average it obtained between 1997 and 2004: 2,97.

Table 3. Corruption Perception Index in EU 25 and the candidate countries

Country list	Corruption Perception Index	Country list	Corruption Perception Index
Austria	8.70	Latvia	4.20
Belgium	7.40	Lithuania	4.80
Bulgaria	4.00	Luxembourg	8.50
Cyprus	5.70	Malta	6.60
Czech Republic	4.30	Netherlands	8.60
Denmark	9.50	Poland	3.40
Estonia	6.00	Portugal	6.50
Finland	9.60	Romania	3.00
France	7.50	Slovak Republic	4.30
Germany	8.20	Slovenia	6.10
Greece	4.30	Spain	7.00
Hungary	5.00	Sweden	9.20
Ireland	7.40	Turkey	3.50
Italy	5.00	United Kingdom	8.60

Source: Corruption Perception Index 2005, Transparency International

Regarding the future, the ***Transparency International 2005 Global Barometer on Corruption*** reveals the relative optimism of the Romanians. The questionnaire was applied – from May till October 2005 – to 55.000 peoples from 69 countries in order to estimate the corruption perception level (see ***Global Barometer on Corruption***, 2005, Transparency International, http://www.transparency.org). For Romania, the answers were as follows:

1. Expectancies: The level of corruption will rise or fall in the next 3 years?

Do you expect the level of corruption to modify in the next 3 years?	**% significant rise**	**% little rise**	**% stagnation**	**% little fall**	**% significant fall**	**% do not know / do not answer**
Romania	9	5	36	31	5	13

Most of the people think that corruption will stagnate in the next 3 years. If the present level of corruption would have been acceptable, this perspective would have been a positive one too; but, under the circumstances, this seems to be something like a tacit agreement with the phenomena – a conformation to a given situation. Anyway, the future is a little better seen than the past – as the following question shows.

2. How does the level of corruption fall or rise in the past 3 years?

How much did the level of corruption change in the past 3 years?	**% significant rise**	**% little rise**	**% stagnation**	**% little fall**	**% significant fall**	**% do not know / do not answer**
Romania	23	14	34	17	2	10

A pessimistic attitude seems to characterize the answers to this question – if more than 70% of the people who answered though that the level of corruption raised or stagnated in the past 3 years. The differences from one year to another are difficult to determine with accuracy, but is obvious the optimism regarding the following 3 years. Still, the expectations seem not likely to fit with the perceptions of the past.

3. Are the national institutions or domains corrupted or not?

How do you perceive that the following domains are affected by corruption?	Political parties	Parliament	Police	Legal system	Taxation	Business	Customs system	Medical system	Mass Media	Educational system	Utilities	Registration	Army / Military	NGO-s	Religions
Romania	3,8	3,6	3,6	3,7	2,4	3,4	3,8	3,6	2,7	2,9	2,5	2,9	2,4	2,5	2,1

The most corrupted sectors in Romania seem to be the, in the following order: political parties, the customs system, the judicial system, the parliament, the police system and the medical system. A relatively high level of corruption is perceived also to characterize the business domain.

4. The impact of corruption on politics, business environment and personal/family life

Some people think that corruption affects different domains of life in this country. From your perspective, corruption affects: (1 – not at all …. 4 – at large scale)	Political life	Business environment	Personal/family life
Romania	3,2	3,2	2,5

As we can easily see from the answers to this question, the political life and the business environment as well are perceived to be affected quite enough by corruption (and even the personal life is significantly influenced). So, it seems to be difficult to fight against the endemic process of corruption – “private to public” corruption, as well as “private to private” corruption are likely to capture the most of us in some form/kind of unethical behavior, with the worst effects possible.

5. Who gave bribery in the past year?

Did you or someone nearby you give bribery on any form in the past 12 months?	% yes	% no	% do not know / do not answer
Romania	22	64	15

Identified to be the most common and usual form of corruption, bribery was given by 22% of the questioned peoples during the last 12 month, but 15% of them as well refused to answer or said they don’t know. Just 64% of the peoples answered they didn’t give bribery in the past 12 month – despite all the national campaigns against it (such as “Do not give bribery!”).

Dependencies and interdependencies between competitiveness and corruption in Romania – lessons for the future

Does ***corruption*** have any ***impact on competitiveness of a country***? Yes, and the impact of corruption on competitiveness may be seen at macro and micro economic level as well; we can bring at least the following arguments in order to cover this idea:

(1). Into the *World Business Environment Survey* (which is a major effort by the World Bank group and partner institutions to implement a standard core enterprise survey to evaluate business conditions in a large, cross-regional set of member countries by asking managers) corruption is identified as a serious constraint by over 70% of firms in South Asia and nearly as many in Developing East Asia and Middle East and North Africa. 64% of firms in Africa, almost 60% of those in Latin America and about half in the Commonwealth of Independent States and Central and Eastern Europe report it a serious impediment. This contrasts with the much lower share (about 20%) of firms in Newly Industrialized East Asia and China and in OECD countries that rate it as a “major” or “moderate” obstacle.

Further, in many of the developing countries, the majority of firms reported that it was common “in their line of business to have to pay some irregular *additional payments* to get things done”. The data on firms’ reported percentage of total revenue paid every year in bribes clearly and positively correlate with the data on the degree to which firms find corruption constraining. An important manifestation of weak governance is the extent to which registered firms operate unofficially. Related to this is the degree to which firms comply with tax laws. While there are variations from region to region, about half the firms in the global sample indicated that they report no more than 80% of their revenues (see Batra, G., Kaufmann, D., Stone, A., 2003).

(2). Into the book *The Other Path*, the author Hernando DeSoto emphasizes that the development of the illegal / black economy inside a country (aspect which is related to the existence of an uncontrolled corruption) can not be reduced until important economic reforms will be enforced into the country. There are some ***anticorruption practices*** which was successfully applied into the most competitive countries, such as:

- *legal frame* – most of the competitive countries of the world have established such hard punishments for corruption that those who brake the law has to be very courageous / braves to risk such a penalty;
- *preventive measures* – in the same time, many of the most competitive countries in the world introduced preventive measures in order to limit the possibilities of corruption (the temptation) – for instance, in the USA were introduced some inspections and checking procedures, accompanied with some very strict procedures, which made more and more difficult the spreading of corruption;
- *stimulants* – the private sector has an important contribution in diminishing corruption so, in many of the most competitive countries the business associations and the NGO-s have established the principles of the corporative governance and those of the best commercial practices, making thus a significant anti corruption pressure force (see Mark T.McCord, 2004).

(3). Because ***competitiveness represents the goal of any firm's strategy*** it has to be take into consideration the impact of corruption on firm competitiveness in the moment of a strategy designing; in this context, M. Porter emphasize that the productivity of the firms is inextricably related to the quality of the national business environment; more productive strategies at firm's level require highly qualified employees, relevant information, more efficient government procedures, better infrastructure, better suppliers, more advanced research and development centers, and more intense competition. The firms will have no longer to rely on the cheep work force or on the abundant natural resources as determinant of there competitive advantages; they have to look for and to obtain competitive advantages from superior or different produces or services.

(4). As Vittal N. said (see Vittal, N., 2000), in the age of global economy, we measure ***competitiveness of a country*** in terms of its capacity to attract foreign direct investment and also ensure that its good and services are competitively marketed in the rest of the world. In fact, there are cynics who would say that corruption in a way can help the process of improving competitiveness (because after all, in a developing country where resources are scarce corruption "helps to fix priorities" and that while in way "helps decision making" – they say that a certain degree of corruption can be tolerated as a necessary evil in the process of economic growth).

In the global economy of today, ***companies*** cannot compete effectively unless they are clean and have good ***corporate governance*** (corporate governance tries to ensure that while corporate management may be based on making the optimum use of the psychical, financial and human resources of a country, it is ultimately the value and moral framework which ensures that decisions are not only justified from the business point of view but also are ethically valid); companies in turn will not be able to practice good values, unless the government itself is clean.

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